NSTAR
ELECTRIC
GAS

Legal Department, 17th Floor
800 Boylston Street, Boston, Massachusetts 02199

JOHN COPE-FLANAGAN
Assistant General Counsel

Cambridge Electric Light Company
Direct Dial:(617) 424-2103
Telecopier:(617) 424-2733
John_Cope-Flanagan@Nstaronline.com

February 6, 2002

Mary L. Cottrell, Secretary
Department of Telecommunications & Energy
One South Station, 2nd Floor
Boston, Massachusetts 02110

Re: Cambridge Electric Light Company
D.T.E. 01-94

Dear Madam Secretary:

Cambridge Electric Light Company (the "Company") is pleased to supply its responses to the information requests listed on the attached sheet.

Sincerely,

John Cope-Flanagan

John Cope-Flanagan

Enclosures

cc: Jesse S. Reyes, Hearing Officer (2 copies)
Esat Serhat Guney, Analyst, Rates and Revenue Requirements Division
Joseph Tiernan, Analyst, Rates and Revenue Requirements Division
Miguel Maravi, Analyst, Rates and Revenue Requirements Division
Alexander Cochis, Esq., Assistant Attorney General
Carrol R. Wasserman, Esq.
David Rosenzweig, Esq.
Stephen Klionsky, Esq.

Responses to Information Requests

DTE-CEL-1-1
DTE-CEL-1-2
DTE-CEL-1-3
DTE-CEL-1-4
DTE-CEL-1-5
DTE-CEL-1-6
DTE-CEL-1-7
DTE-CEL-1-8
DTE-CEL-1-9
DTE-CEL-1-10
DTE-CEL-1-11
DTE-CEL-1-12
DTE-CEL-1-13
DTE-CEL-1-14
DTE-CEL-1-15
DTE-CEL-1-16
DTE-CEL-1-17
DTE-CEL-1-18
DTE-CEL-1-19
DTE-CEL-1-20
DTE-CEL-1-21
DTE-CEL-1-22

February 6, 2002

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Cambridge Electric Light Company	)	D.T.E. 01-94

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing responses to information requests in accordance with Department rules.

John Cope-Flanagan

John Cope-Flanagan
Attorney for
NSTAR Electric & Gas Corporation
800 Boylston St., Floor 17
Boston, MA 02199

DATED: February 6, 2002

Information Request DTE-CEL-1-1

Please refer to Exhibit CEL-BKR-2.

(a) Compare page 1, row 2 ("Base Operating Expense") with page 2, row 2 ("Base Operating Expense"). Please explain what types of costs are included and why the amounts on page 1 differ from page 2.

(b) Compare page 1, row 3 ("Depreciation") with page 2, row 3 ("Depreciation"). Please explain what types of charges are included and why the amounts on page 1 differ from page 2.

(c) Compare page 1, row 4 ("Other") with page 2, row 4 ("Other"). Please explain what types of costs are included and why the amounts on page 1 differ from page 2.

(d) Compare page 1, row 6 ("Total Fuel Expense") with page 2, row 6 ("Total Fuel Expense"). Please explain what types of costs are included and why the amounts on page 1 differ from page 2.

(e) Compare page 1, row 9 ("CELCO Generation - MWH") with page 2, row 9 ("CELCO Generation - MWH"). Please explain why the amount for the year 2002 on page 1 differs from page 2.

(f) On page 2, the Company indicates PPA prices per MWH for 2002-2012 under the 2001 Amendatory Agreement. Please provide a comparison of these prices with forecasted power prices for the same period and indicate the extent of above-market portion. In doing so, please identify the source of data and the model for this forecast including its assumptions.

(g) Please explain whether the Company considered the option of renegotiating the Power Contract on the basis of either cost-of-service or fixed price PPA rather than cost-of-service plus PPA obligations in the post sale of Vermont Yankee situation.

Response

It is not possible to directly compare the individual components of Page 1 and Page 2 of Exhibit CEL-BKR-2 since they summarize two totally different assumptions. The data on Page 1 assumes that the Vermont Yankee Nuclear

Power Station (the "Unit") will not be sold and will operate through the end of its current license life in 2012 under the existing agreement. As such, the amounts on each line of Page 1 represent normal operations costs, a recovery of original investment, decommissioning contribution, collection of miscellaneous costs such as insurance, lease costs, income taxes, property taxes and a return on investment, and fuel costs related to the power generated. The data on Page 2 assumes that the Unit is sold to Entergy and the net proceeds are applied against the net unit investment and the proceeds are returned through "negative depreciation" over the remaining life of the contract. This is offset by costs to maintain the corporation, pay taxes, administer the power purchase agreement with Entergy (the "PPA") and recover closing costs.

(a) Base Operating Expense on Page 1 (Continued Operation) is the cost of operations, which includes both normal power operations and refueling outages through 2012. Base Operating Expense on Page 2 (Sale) for 2003-2012 includes amortization of closing costs and costs to run the remaining shell corporation. Year 2002 on Page 2 is a combination of the cost of continued operation for the period prior to the sale and post-sale costs once closing occurs.

(b) Depreciation on Page 1 represents the regular recovery of investment (and forecasted additions) over the remaining life of the Unit. Depreciation on Page 2 after the sale represents the flow-back of proceeds from the sale through 2012.

(c) Other on Page 1 includes interest, long-term leases, taxes (including property and income), insurance, AFUDC and a return on investment. Other on Page 2 after the sale includes interest, insurance refunds, final inventory amortization, taxes and return on investment.

(d) Total Fuel Expense on Page 1 is the amortization of fuel inventory as a result of power operations. Total Fuel Expense on Page 2 after the sale is the amortization of the fuel inventory balance at closing through 2012.

(e) The difference in generation for 2002 between the two scenarios was necessary due to the way the model is constructed. The model on Page 2 assumes that the plant will be sold on February 28, 2002, and that the PPA is in effect for only 10 months in that year. To calculate the correct cost of the PPA in 2002, it is necessary to show only the MWH generated after the sale. Both models assume that the Unit will actually generate 3,794,000 MWH in calendar 2002.

(f) Please refer to Attachment DTE-CEL-1-1 for a comparison of the PPA prices with the forecasted power prices under both the Vermont Department of Public Service forecast and the forecast from Henwood

Energy Services, Inc. ("Henwood") (see Attachment AG-1-11(a) for a copy of the Henwood study). * **CONFIDENTIAL** *

(g) The Company did not have an option to renegotiate the current Power Contract during the auction period.

Information Request DTE-CEL-1-2

Please refer to Exhibit CEL-BKR-3. Please state the basis for the discount rate used. Provide complete and detailed documentation to support your response.

Response

The Company established the discount rate of 7.71 percent based on its cost of long-term capital using the capital structure as of December 31, 1995. The Company has used this discount rate when calculating net present value since the inception of electric restructuring. Please refer to Attachment DTE-CEL-1-2 for the calculation of Cambridge's discount rate.

Cambridge Electric Light Company
Discount Rate
December 31, 1995

Cost Of Capital / Income Taxes			Discount Rate
Long Term Debt	48.65%	8.90%	4.33%
Common Equity	51.35%	9.90%	5.08%
Weighted Cost of Capital			9.41%
Less Tax Deduction on Debt (39.225% * LTD %)			1.70%
Total			7.71%

Notes:
T = Effective Tax Rate of 39.225%
T/1-T = Tax Gross-up rate of 64.5413%

Information Request DTE-CEL-1-3

Please refer to Exhibit CEL-BKR-3. Please provide the calculations used to derive the information in columns 5 and 6.

Response

The information in columns 5 and 6 is taken from Cambridge's analysis of the Vermont Yankee sale scenario as shown in Exhibit CEL-BKR-2, page 2. The analysis for year 2002 (column 5) shows $47,000 in decommissioning contributions during the period prior to the sale with the remainder of the 2002 costs being shown in column 6. In all other years, there are no decommissioning contributions; therefore, the amount in column 6 is equal to the "Total CEL" line at the bottom of Exhibit CEL-BKR-2, page 2.

Information Request DTE-CEL-1-4

Please refer to Exhibit CEL-BKR-1, page 4. The Company states that as a result of the favorable outcome of the Vermont Yankee auction [the cost-of-service obligations] are significantly reduced. Please provide a table indicating all of the cost-of-service items and respective savings. Please also state the reason(s) for these savings.

Response

The statement on page 4 of Exhibit CEL-BKR-1 was intended to highlight the savings that will accrue to customers as a result of the sale of the unit to Entergy. As stated in Mr. Martin's testimony, the pricing under the current Power Contract between Vermont Yankee Nuclear Power Corporation ("Vermont Yankee") and the Company is based on Vermont Yankee's cost of service, including: (1) total fuel costs; (2) total decommissioning costs; (3) total operating costs; and (4) investment costs. This sale of the unit will reduce or eliminate nearly all of these cost of service obligations under the Power Contract.

Please refer to Attachment DTE-CEL-1-4 for a comparison of the cost of service savings * **CONFIDENTIAL** *. Please also refer to the Company's response to Information Request DTE-CEL-1-1 for an explanation of the differences between these two scenarios.

The Attachment contains confidential, sensitive and proprietary information, which is the subject of a motion for protected treatment pursuant to G.L. c. 25, § 5D. The PROTECTED MATERIALS will be made available in this proceeding subject to the execution of an appropriate non-disclosure agreement.

Information Request DTE-CEL-1-5

Please refer to Exhibit CEL-RHM-1, page 4. The Company states that "through the period ending November 30, 2002, Cambridge's purchase obligation is effectively reduced to 2.25 percent of the net capacity, output, and ancillary products of the Vermont Yankee Station . . . ." However, in Exhibit CEL-BKR-2, the Company's entitlement is stated as 2.5 percent in year 2002. Please reconcile.

Response

The Company's review of this transaction was calculated at Cambridge's full 2.5 percent entitlement for administrative simplicity. In January 2002, the Vermont Yankee owners and the secondary purchasers reached an agreement, which has been submitted for approval to the Federal Energy Regulatory Commission, for early termination of their power purchase contract as of February 28, 2002. Once this agreement has been approved, Cambridge will assume responsibility for the full 2.5 percent of the Unit.

Information Request DTE-CEL-1-6

Please refer to Exhibit CEL-RHM-1, page 10.

(a) Please show how the Low Market Adjuster ("LMA") mechanism operates based on the high and low ranges of market prices forecasted for the term of the PPA.

(b) What is the spread between the market price and the scheduled PPA price before the LMA mechanism is triggered?

(c) What is the spread between market prices and the PPA price as adjusted by the LMA mechanism?

(d) For how long would a LMA adjusted price apply, and how often would the price be adjusted?

Response

(a) Under the terms of the LMA, if a prior year's average market price of power, as defined, is more than 5 percent below the PPA price for the current year, the PPA price would drop to 105 percent of the prior year's average market price (see Exh. CEL-RHM-3, Exhibit E, page 7). In all years, the Vermont Department of Public Service ("DPS") price forecast (market price) is greater than the base price per the PPA, as shown in the following table; therefore the LMA would not apply.

Year	DPS Price Forecast[1]	Base Price
2005	$45.68	$39.5
2006	47.27	39.00
2007	48.74	40.00
2008	50.44	41.00
2009	52.19	42.00
2010	54.09	43.00
2011	56.05	44.00
2012	58.09	45.00

1 See Attachment AG-1-11(g)

(b) The spread between the market price and the PPA price before the LMA mechanism is triggered is 5 percent.

Year	PPA Base Price	Market Price @ 95%	Spread
2005	$39.50	$37.525	$1.975
2006	39.00	37.05	1.95
2007	40.00	38.00	2.00
2008	41.00	38.95	2.05
2009	42.00	39.90	2.10
2010	43.00	40.85	2.15
2011	44.00	41.80	2.20
2012	45.00	42.75	2.25

(c) Please see the response to (a) and (b) above.

(d) LMA-adjusted prices apply for a monthly billing period. Therefore, the billed price would be adjusted in any month in which the twelve-month rolling average triggered the LMA.

Information Request DTE-CEL-1-7

Please refer to Exhibit CEL-RHM-1, page 11. The Company states that "Cambridge would pay its entitlement percentage of specifically enumerated cost-of-service obligations of Vermont Yankee, including costs pertaining to the unamortized net plant investment for the Vermont Yankee Station, divestiture related transaction and sales costs, post closing obligations to Entergy under the PSA, on-going operating expenses of the shell Vermont Yankee entity, including principal and interest on any borrowed funds associated with operating expenses." Please provide a table indicating these cost figures based on the Company estimates.

Response

Please refer to Exhibit CEL-BKR-2, page 2 for a summary of the on-going cost-of-service obligations that Cambridge will pay. The Company has not made a separate estimate of these costs; these amounts are derived from information provided by Vermont Yankee Nuclear Power Corporation. Please see Attachment DTE-CEL-1-4, page 1 of 3 for detail of these costs.

Information Request DTE-CEL-1-8

Please explain why the Company committed to buy back power from the Vermont Yankee Station over the next 12 years, given that standard offer service terminates in 2004 and default service is expected to be procured competitively? Please explain how the Company plans to use this power over the next 12 years.

Response

Like its other purchase-power agreements ("PPAs"), the Company's long-term PPA relative to the Vermont Yankee Nuclear Power Station ("Vermont Yankee" or the "Station") is an existing transition cost obligation of the Company for which it must pursue mitigation opportunities to reduce such costs. In the Company's Restructuring Plan proceeding, D.T.E. 97-111, the Department approved the Company's identification of transition cost obligations, including the Vermont Yankee PPA. The Department also approved the Company's plan to minimize transition costs through the maximization of mitigation cost opportunities. As a result of the transaction that is the subject of this proceeding, the Company has been able to minimize transition costs associated with Vermont Yankee by terminating its future cost obligations for the Station in areas such as capital investments and decommissioning costs, and entering into a fixed-price, market-based PPA for the Station's output. By way of background (and as stated in the Petition at 1, n. 2), the Company is now subject to existing power entitlement obligations with Vermont Yankee through the following agreements: (1) a power contract dated February 1, 1968, as amended by eight amendments dated June 1, 1972, April 15, 1983, April 24, 1985, June 1, 1985, May 6, 1988 (two amendments), June 15, 1989, and December 1, 1989 (the "Initial Contract"); and (2) an additional contract dated February 1, 1984 ("Additional Power Contract," collectively, the "Power Contract"). The terms of the Power Contract require the Company to purchase power from the Station through 2012.

Through the competitive auction that was conducted and the resulting 2001 Amendatory Agreement that is under review in this case, as shown in the testimony of Bryant K. Robinson, payments to Vermont Yankee under the 2001 Amendatory Agreement will result in substantial savings to retail customers of approximately $7.1 million in transition costs when compared to the net present value of payments under the current Power Contract. Exh. BKR-CEL-1, at 9. In addition, the 2001 Amendatory Agreement reduces risks for the Company's customers because the underlying PPA between Vermont Yankee and Entergy includes a "low market adjuster" that protects the Company's consumers in instances where power market prices drop significantly. Further, based on the previous attempt to divest Vermont Yankee (i.e., the earlier AmerGen proposal) and the Company's discussions with Vermont Yankee personnel, it was clear that the divestiture of Vermont Yankee would require a buyback PPA because of concerns expressed by regulators in Vermont. Moreover, the Company's economic analysis shows that the net present value of the various bids received in the auction process was lowest (i.e., most economic to customers) with the bid from Entergy and the proposed 2001 Amendatory Agreement. Accordingly, the 2001 Amendatory Agreement is an integral part of the overall transaction that constitutes the minimization of transition costs associated with Vermont Yankee.

Further, with respect to the use of the output from the 2001 Amendatory Agreement, it will be used in the same manner as the output from the current Vermont Yankee PPA. The 2001 Amendatory Agreement does not reflect an incremental source of power to the Company, because it does not increase the Company's obligation under the existing Power Contract. Regarding standard offer service, it is true that standard offer service terminates at the end of February 2005, and the Company supplies its standard offer service load through its existing PPAs, like the Power Contract. To the extent that the sale of the Station to Entergy is not completed, the Company would continue to be obligated to purchase power from Vermont Yankee pursuant to the Power Contract. Moreover, Entergy's proposal to purchase the Station is conditioned on purchasers continuing to buy power from the Station.

Upon the termination of standard offer service obligations, the Company will maximize the value of the output (and thereby maximize mitigation) through the competitive wholesale market (please see the Company's response to Information Request DTE-CEL-1-11 for a discussion of the Company's contingent option to terminate the purchase power obligations from the PPA). As stated above, entry into the 2001 Amendatory Agreement by the Company does not change either the total output under the power obligations of the Company or its use of that output for the benefit of customers.

On this basis, and as demonstrated in the Company's Petition, purchasing power from Vermont Yankee pursuant to the 2001 Amendatory Agreement through 2012 is clearly a better deal for the Company's customers on a going-forward basis than the status quo because it presents substantial mitigation value for the Company's customers.

Information Request DTE-CEL-1-9

What is the transaction cost of 2001 Amendatory Agreement negotiated between the Company and Vermont Yankee? How does the Company propose to account for this cost?

Response

The current estimate of transaction costs of the 2001 Amendatory Agreement is $8.0 million; the Company's 2.5 percent share would be $200,000. Please see the Company's response to Information Request AG-1-17 for a breakdown of the transaction costs. The transaction costs will be amortized through 2012. These costs will not appear on Cambridge's books; however, Cambridge will be billed for its 2.5 percent share of the transaction costs through the monthly bills from Vermont Yankee through 2012. Thus, the transaction cost will be recovered through the variable component of Cambridge's transition charge.

Information Request DTE-CEL-1-10

Please refer to CEL-BKR-2, "CELCO Generation - MWH". The MWHs produced fluctuates from year to year in an apparently inconsistent pattern.

(a) Please explain the major reasons for such projected fluctuations.

(b) Please explain how, and to what extent, these projected fluctuations are consistent with fluctuations over the previous ten years.

Response

The MWH produced fluctuates from year to year based on the assumed capacity factor ("CF") in each year and the projected outage schedule. Vermont Yankee is nominally on an eighteen-month refueling cycle. Therefore, in each three-year period, there will be two years with a refueling outage and one without. Since the next outage is projected for Fall 2002, there will not be a refueling outage in 2003. Since there are more days of power operation possible in a non-outage year, those years show higher projected generation. An additional fluctuation in the MWH projection is due to the extra day of power operation during leap years. The projected MWH produced is based on Vermont Yankee's CF experience over the previous ten years and represents their best estimate of the generation through 2012.

Information Request DTE-CEL-1-11

Please refer to Exhibit CEL-RHM-2, page 16 ("Contingent Option to Terminate Purchase").

(a) Please explain the process and circumstances under which Vermont Yankee may terminate the 2001 Amendatory Agreement.

(b) Does the Company have an option to terminate the contract independent from Vermont Yankee's option? Please explain.

Response

(a) There is no "process and circumstances under which Vermont Yankee may terminate the 2001 Amendatory Agreement".

The portion of Exhibit CEL-RHM-2 referenced in this Information Request relates to a "contingent option" to terminate the "obligation to purchase power under the PPA [the underlying Power Purchase Agreement between Vermont Yankee and Entergy]", not to termination of the 2001 Amendatory Agreement itself. Assuming that the request was directed at the "contingent option" to terminate such purchases, the relevant circumstances are the existence of Vermont Yankee's right under the PPA to attempt to negotiate a release of its obligation to purchase under the PPA all or part of the output of the Unit in 2005 and in 2007. Clause (b) of Section 7A of the 2001 Amendatory Agreement sets forth the mechanism by which Vermont Yankee would seek instructions from the Company as to whether the Company desires Vermont Yankee to seek such a release of the Company's entitlement. There is no assurance that such a release could be negotiated. If a release of the Company's entitlement were negotiated, the provisions of Section 7A of the 2001 Amendatory Agreement would become moot but all the remaining provisions would remain in effect.

(b) No, if "contract" refers to the PPA, the Company is not a party to that agreement. If "contract" refers to the 2001 Amendatory Agreement, there is no provision for terminating that agreement, and any changes to that agreement must be unanimously agreed to by all Sponsors of Vermont Yankee.

Information Request DTE-CEL-1-12

Please provide a table indicating annual transition costs, from the year 1998 to the year 2012, stating the total transition costs previously approved by the Department, as well as the amounts attributable to each of the components of transition costs. In addition, please provide pro forma calculations of transition costs (and their components), if the 2001 Amendatory Agreement is approved as filed.

Response

Please see Attachment DTE-CEL-1-12 for the requested information. This is a copy of Exhibit CAM-BKR-1 from the Company's January 3, 2002 revised filing in D.T.E. 01-79. This filing assumed that the 2001 Amendatory Agreement was approved as filed.

Cambridge Electric Light Company
Transition Charge Calculation for 2002
$ in Thousands

Year	MWH Delivered	Transition Charge Billed	Revenues for Delivered MWH	Total Fixed Component	Total Variable Component	Total Other Component	Prior Year Deferral	Interest on Deferral	Expenses	(Over) Under Collection
Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K
Actual										Col J minus Col.D
1998	1,075,840	2.730	$29,370	$8,897	$ 17,123	$67			$ 26,087	$ (3,283)
1999	1,384,429	1.346	18,628	(8,361)	26,862	(826)	$ (3,283)	$ (197)	14,195	(4,433)
2000	1,495,354	0.297	4,446	(7,021)	20,571	(1,480)	(4,433)	(227)	7,410	2,964
2001	1,550,013	1.409	21,841	(2,681)	25,478	239	2,964	161	26,161	4,320
Forecast										
2002	1,542,167	1.139	17,567	(2,556)	15,260	273	4,320	270	17,567	-
2003	1,573,010	0.711	11,191	(2,431)	13,376	246	-	-	11,191	-
2004	1,604,470	0.615	9,866	(2,306)	11,886	286	-	-	9,866	-
2005	1,636,559	0.872	14,272	(2,181)	16,161	292	-	-	14,272	-
2006	1,669,290	0.843	14,064	(2,056)	15,874	246	-	-	14,064	-
2007	1,702,676	0.731	12,454	(1,931)	14,107	278	-	-	12,454	-
2008	1,736,730	0.469	8,152	(1,804)	9,685	271	-	-	8,152	-
2009	1,771,465	0.071	1,259	(1,686)	2,720	225	-	-	1,259	-
2010	1,806,894	0.133	2,406	-	2,233	173	-	-	2,406	-
2011	1,843,032	0.157	2,900	-	2,741	159	-	-	2,900	-
2012	1,879,893	0.102	1,912	-	1,744	168	-	-	1,912	-
2013	1,917,491	0.071	1,363	-	1,270	93	-	-	1,363	-
2014	1,955,841	0.097	1,895	-	1,806	89	-	-	1,895	-
2015	1,994,958	0.095	1,905	-	1,819	86	-	-	1,905	-
2016	2,034,857	0.043	879	-	796	83	-	-	879	-
2017	2,075,554	0.073	1,506	-	1,427	79	-	-	1,506	-
2018	2,117,065	0.073	1,547	-	1,472	75	-	-	1,547	-
2019	2,159,406	0.043	938	-	865	73	-	-	938	-
2020	2,202,594	0.074	1,638	-	1,569	69	-	-	1,638	-
2021	2,246,646	0.085	1,903	-	1,838	65	-	-	1,903	-
2022	2,291,579	0.016	357	-	294	63	-	-	357	-
2023	2,337,411	0.048	1,111	-	1,052	59	-	-	1,111	-
2024	2,384,159	0.051	1,208	-	1,153	55	-	-	1,208	-
2025	2,431,842	0.018	432	-	381	51	-	-	432	-
2026	2,480,479	0.042	1,040	-	994	46	-	-	1,040	-

Col. B: year 2001 8 months actual, 4 months estimate; year 2002 per revised forecast; years 2003 and beyond assumes 2% growth per annum.
Col. C: 1999 - 2001 = Col. D / Col. B; Post 2001 = Col. J / Col. B.
Col. D: 2001 per Exh. 1, Page 2; Post 2001 = Col. J.
Col. E: Exh. 1, Page 3, Col. H.
Col. F: Exh. 1, Page 4, Col. O.
Col. G: Exh. 1, Page 5, Col. K.
Col. H: Col. K prior year.
Col. I: Col. H times interest rate on customer deposits; 1998 = 5.99%, 1999 = 5.13%, 2000 = 5.43%, Post 2000 assumed to = 2001 (6.26%).
Col. J: Sum Cols. E thru Col I.
Col. K: Col. J - Col. D.

Information Request DTE-CEL-1-13

Please refer to Exhibit CEL-BKR-1, page 7, lines 6 to 19. Please describe in complete detail the four categories of transition costs set forth in the testimony, including an explanation of how those costs correspond to the categories set forth in D.T.E. 97-111 or in G.L. c. 164 § 1G.

Response

The four categories of transition costs in my testimony correspond to those outlined in G.L. c. 164, § 1G(b)(1)(i) - (iv). and the categories of transition costs approved by the Department to be recovered by the Company in D.T.E. 97-111.See Cambridge Electric Light Company, Commonwealth Electric Company and Canal Electric Company, D.T.E. 97-111, at 61 (1998). The costs associated with the purchase power agreement ("PPA") referenced in the 2001 Amendatory Agreement fall under two categories of transition costs authorized by the Department to be recovered by the Company:

- nuclear entitlements and previously incurred or known liabilities incurred for post-shutdown and decommissioning costs associated with nuclear power plants which are not recoverable from the decommissioning fund as administered by the federal nuclear regulatory commission; and

- the amount by which the costs of existing contractual commitments for purchased power exceeds the competitive market price for such power, upon the reaffirmation, restructuring, renegotiation, or termination of such contracts.

G.L. c. 164, §§ 1G(b)(1)(ii) and (iv). Please see the Company's response to Information Request DTE-CEL-1-16 for further explanation.

Information Request DTE-CEL-1-14

Please state whether the changes proposed in the 2001 Amendatory Agreement were included in the Company's filings to the Department, e.g. the Company's compliance filing in D.T.E. 01-79. Provide detailed information on how the 2001 Amendatory Agreement will affect the 2002 transition charge.

Response

The changes proposed in the 2001 Amendatory Agreement are included in the Company's revised filing in D.T.E. 01-79. In preparing its transition charge filing, the Company forecast its year 2002 Vermont Yankee costs using the same data that is included in Exhibit BKR-2, page 2 in this filing. As a result of this proposed transaction, Cambridge's 2002 Transition Charge has been reduced by \$343,000 or approximately 0.00091 cents/kwh. Please see Attachment DTE-CEL-1-12, page 11.

Information Request DTE-CEL-1-15

Please refer to Exhibit CEL-BKR-1, page 6, line 4 to page 7, line 5.

(a) How much was the Cambridge's Transition Charge, effective on March 1, 1998.

(b) How much was the first reduction of 47% that was effective on January 1, 1999.

(c) How much was the second reduction that was effective on September 1, 1999.

Response

(a) Cambridge's Transition Charge was 2.73 cents/kwh effective on March 1, 1998.

(b) Cambridge's Transition Charge was 1.447 cents/kwh effective on January 1, 1999 for a 1.283 cents/kwh reduction.

(c) Cambridge's Transition Charge was 1.224 cents/kwh effective on September 1, 1999 for a further reduction of 0.223 cents/kwh. The total reduction during this period was 1.506 cents/kwh.

Information Request DTE-CEL-1-16

Refer to Exhibit CEL-BKR-1, page 8, lines 3 through 12. Please explain in detail the legal and economic rationale of how the Department's transition charge may permit the recovery of the following costs proposed to be recovered:

(a) "the on-going cost of service for Vermont Yankee"

(b) "any above-market (or below-market) costs associated with the power-purchase obligations."

Response

The Electric Restructuring Act of 1997 (the "Act") allows electric companies to recover through their transition charges, in relevant part, the following items:

- the [D]epartment-authorized recovery for nuclear entitlements by those electric companies which have divested their non-nuclear generation facilities pursuant to [G.L. c. 164] section 1A and those previously incurred or known liabilities incurred for post-shutdown and decommissioning costs associated with nuclear power plants which are not recoverable from the decommissioning fund as administered by the federal nuclear regulatory commission; provided, however, that the [D]epartment shall monitor the amount to be recovered to assure that it shall not exceed the actual total costs necessary to effect shutdown and decommissioning; and

- the amount by which the costs of existing contractual commitments for purchased power exceeds the competitive market price for such power, upon the reaffirmation, restructuring, renegotiation, or termination of such contracts, or the liquidated payments associated with the disposal of these contracts in a department-approved divestiture plan, as determined in accordance with the provisions of paragraph (2) of subsection (d) of this section.

G.L. c. 164, §§ 1G(b)(1)(ii) and (iv).

Consistent with the Act, Cambridge proposed in its restructuring plan that it be allowed to recover through its transition charge: (1) the nuclear decommissioning and related post-shutdown obligations of Vermont Yankee; and (2) above-market costs of its power purchase agreements ("PPAs"). See Electric Restructuring Plan of Cambridge Electric Light Company, Commonwealth Electric Company and Canal Electric Company, Volume 1, Exhibit III at 9, 11. The Department approved Cambridge's recovery of these costs in Cambridge Electric Light Company, Commonwealth Electric Company and Canal Electric Company, D.T.E. 97-111, at 61 (1998). Accordingly, the Department has already approved the recovery by Cambridge of: (1) its "ongoing cost-of-service," including future nuclear decommission costs and capital improvements, associated with the existing Power Contract with Vermont Yankee; and (2) any above-market costs relating to its various PPAs, including the Power Contract. Id.

Moreover, through the 2001 Amendatory Agreement and the other benefits described in the Company's Petition and in the testimonies of Bryant K. Robinson and Robert H. Martin, the Department's approval of the 2001 Amendatory Agreement will result in Cambridge's customers realizing approximately $7.1 million in savings as compared to the current costs of Cambridge's existing Power Contract with Vermont Yankee. See, e.g., Cambridge Petition at 5; Exh. CEL-BKR-1, at 3, 10; Exh. CEL-BKR-3; Exh. CEL-RHM-1, at 12. Thus, from both a legal and economic perspective, the transaction proposed by the Company is in accordance with the Restructuring Act, the Company's Restructuring Plan, and Department precedent, and it presents substantial savings for the Company's customers.

Information Request DTE-CEL-1-17

Please refer to Exhibit CEL-RHM-2, page 13 (2001 Amendatory Agreement). Please identify all costs included in Closing Net Unit Investment.

Response

Closing Net Unit Investment includes the net Unit investment as of the Effective Date (i.e., the closing date under the purchase and sale agreement between Vermont Yankee Nuclear Power Corporation and Entergy) (see Exhibit CEL-RHM-2, page 7).

Information Request DTE-CEL-1-18

Please refer to Exhibit CEL-RHM-2, page 13 (2001 Amendatory Agreement). Please identify all costs included in Total Transaction Costs Obligation.

Response

Total Transaction Costs Obligation for any month shall mean the amount attributable to such month for the payment of principal and interest, if any, on the Transaction Cost, calculated on the basis of amortizing such liability in equal monthly amounts over the period from the Effective Date to the End of License Term. Transaction Costs means the sum of (a) the Closing Expenses plus (b) the Sales Costs (see Exhibit CEL-RHM-2, page 8). The Total Transaction Costs Obligation will be determined after the closing under the purchase and sale agreement between Vermont Yankee Nuclear Power Corporation and Entergy.

Information Request DTE-CEL-1-19

Please refer to Exhibit CEL-RHM-2, page 13 (2001 Amendatory Agreement). Please identify all costs included in Total Sale Costs Obligation.

Response

The term "Total Sale Costs Obligation" does not appear to be present on page 13 of the 2001 Amendatory Agreement. However, the term "Sales Costs" means the funds, if any, to defray the costs incurred in connection with the pre-2001 efforts to sell the Unit and the PSA Transactions (see Exhibit CEL-RHM-2, page 15). Sales Costs will be determined after the closing under the purchase and sale agreement between Vermont Yankee Nuclear Power Corporation and Entergy.

Information Request DTE-CEL-1-20

Please refer to Exhibit CEL-RHM-2, page 13 (2001 Amendatory Agreement). Please identify all costs included in Total Operating Expenses.

Response

Please refer to the Company's response to Information Request DTE-CEL-1-4, specifically page 1 of Attachment DTE-CEL-1-4 for detail of estimated costs included in Total Operating Expenses after the sale.

Information Request DTE-CEL-1-21

Please refer to Exhibit CEL-RHM-2, page 13 (2001 Amendatory Agreement). Please identify all costs included in PSA Obligations.

Response

PSA Obligations means the obligations of Vermont Yankee to Entergy. These obligations include: Excluded Liabilities; one-time fee to Department of Energy ("DOE") under the DOE Standard Contract; DOE Decontamination and Decommissioning fees; and indemnification obligations (see Exhibit CEL-RHM-2, page 12 and Exhibit A).

Information Request DTE-CEL-1-22

Please refer to Exhibit CEL-RHM-2, page 13 (2001 Amendatory Agreement). Please identify all costs included in Total Revolver Costs.

Response

Total Revolver Costs for any month means the amount attributable to such month for the payment of principal, interest and other fees, if any, due on the Short-term Revolver. The Short-term Revolver means one or more borrowings by Vermont Yankee during the term of the 2001 Amendatory Agreement to obtain funds to meet short-term operating cash needs (see Exhibit CEL-RHM-2, page 8).